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REDUCTIONS IN WORKMEN'S COMPENSATION INSURANCE PREMIUMS FOR FARMERS

Last spring there was offered by 65 insurance companies a special "VFV" accident policy for workers in the Victory Farm Volunteers and Women's Land Army.^{1/} This policy is very good for the purpose for which it was designed. It does not, however, protect a farmer from suit by an injured employee. He must buy employer's liability, or preferably, workmen's compensation insurance in order to obtain this protection.

Workmen's compensation insurance guarantees the employee that he will receive certain "benefits" or payments in case he is injured, provided he agrees to forego his right of suing the employer.^{2/} In this sense it protects the employer against claims or court awards arising from injury to employees, the same as employer's liability insurance. Yet workmen's compensation insurance generally costs no more than straight employer's liability coverage without the worker benefits. This "double-acting" protection is the best form of insurance for the farmer, as well as the industrial employer, since the question of who was negligent is not considered by insurance companies in making settlements.

Farmers in almost all States are not required to take this insurance. Farmers in Ohio who hire more than three employees, farmers in California who hire more than \$500 worth of labor a year, and farmers in a few other States, because of special conditions, must take the insurance or prove that they are able to pay the benefits specified in the law if an accident injures one of their employees. Many farmers choose of their own accord to take the insurance to protect themselves against suit in case an employee is injured. Without the insurance a farmer would have to prove that he was not negligent, with respect to his working facilities, if an accident occurred and he were sued. If he is not able to do this, a judgment against him could result in severe financial loss.

^{1/} The policy "protects" the insured worker 24 hours a day in all places, whatever he (or she) might be doing, and provides \$500 for loss of life, up to \$1,000 for dismemberment or loss of sight, and up to \$250 for hospital and medical expenses. The premium of \$4 for 3 months, or \$1.50 per month, is paid by the worker.

^{2/} The benefits payable to an injured employee under the compensation act of each State are the same for all kinds of employment in a given State. They are summarized in table 1 of a report entitled "Insurance Protection Against Farm Accidents," issued in April 1943, by the Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington, D. C. A copy of this report was inserted as section 6 of the Victory Farm Volunteers Handbook, which was distributed to State extension directors by the Extension Service, U. S. Department of Agriculture.

Insurance companies usually place upon themselves the responsibility of keeping up with changes in workmen's compensation laws. If the benefits are increased, the companies merely increase their rates. The rate is a percentage of pay roll, so that an employer may add on the names of new employees and remove the names of former employees. The benefits specified in State laws, and also the accident experience, vary, so that rates differ by States. The experience of companies with a particular type of employment in a State is pooled by a central rating bureau, which in this way obtains the rate charged by most insurance companies. Under the insurance the medical expenses of the injured employee are paid and there are payments for time lost, etc. The amount of the liability protection offered a farmer under the insurance is discussed in a succeeding paragraph.

A recent report shows that, as late as April 1943, the minimum annual premiums charged general farmers by insurance companies for workmen's compensation insurance were very high.^{3/} For 31 of 39 States listed in this report the annual minimum premiums were \$50 or more.

These minimum premiums (not the manual rates) for general farmers have been reduced in most States for the duration of the war. The reductions are most substantial in the South. Efforts to get the costs reduced were begun in the spring of 1943, but many authorities and agencies are involved in State regulation and considerable time elapsed before the present announcement could be made.

Table 1 shows the new minimum premiums, present base rates per \$100 of pay roll for the "general farming" classification, the amount of annual pay roll (or pay roll for shorter periods if minimum premiums are shown for such periods) necessary to obtain these rates, whether or not it is necessary to insure all hired labor if the insurance is taken, and the agencies from whom compensation insurance may be obtained.^{4/} The minimum premiums and rates shown for "private insurance companies" in table 1 are for those companies subscribing to the rate compilations of the National Council on Compensation Insurance. The reduced minimum premiums make it possible for farmers to obtain employer's liability (including voluntary compensation) insurance without paying so large a premium down payment as heretofore.^{5/}

The proposed minimum premium reductions were pending in the States of Arizona, Colorado, Indiana, Minnesota, New York, Utah, and Wisconsin as of the date of this report, so before the reduced minimum premiums shown opposite these States in table 1 for private companies are accepted, inquiry should be made as to whether such minimum premiums have been approved.

^{3/} See footnote 2 for name of report.

^{4/} Rates are subject to revision to reflect trends in experience and changes in the benefit provisions of the workmen's compensation laws. Current rates may be obtained from the person from whom the insurance is purchased. See example of how premiums are calculated and how the minimum premium applies (table 2).

^{5/} If an employee does not elect to be bound by the provisions of the Compensation Act, along with his employer, in order to retain his right of suit in case of injury, the insurance protects the employer against suit and pays court awards up to \$25,000 or \$5,000/\$10,000 depending on the amount of liability protection attached to the policy.

Table 1.- Minimum premium, rates per \$100 of pay roll, and minimum pay roll to obtain rate, general farming classification, workmen's compensation insurance or employer's liability insurance (with voluntary compensation endorsement), by State and from whom the insurance may be obtained.

State	Minimum premium		Rate per \$100 pay roll	Minimum pay roll to obtain rate	Must a farmer insure all of his employees if he takes the insurance? 1/	From whom may insurance be obtained?
	Amount	Period covered				
	(1) Dollars	(2)	(3) Dollars	(4) Dollars	(5)	(6)
Alabama 2/	25	1 year	1.12	2,232	Optional	Private insurance companies
Arizona 3/	50	1 year	4.00	1,250	Optional	Arizona Industrial Commission, State Building, Phoenix
Arkansas	4/ 40	1 year	4.14	901	Optional	Private insurance companies
California 3/ 5/ 6/	25	1 year	2.51	975	Optional	Private insurance companies
Colorado 3/	15	1 year	1.73	1,377	Yes	State Compensation Insurance Fund, 450 McAllister St., San Francisco
Connecticut	28	1 year	1.79	1,504	Yes	State Compensation Insurance Fund, 680 Capitol Annex, Denver
Delaware	4/ 40	1 year	2.55	1,476	Optional	Private insurance companies
Florida	30	1 year	2.75	1,291	Optional	Private insurance companies
Georgia	16	1 year	1.75	1,327	Optional	Private insurance companies
Idaho 3/	25	1 year	1.79	1,978	Optional	Private insurance companies
Illinois	25	1 year	1.60	1,515	Optional	Private insurance companies
Indiana	30	1 year	3.75	800	Yes	State Insurance Fund, Boise
Iowa	40	1 year	2.49	1,606	Optional	Private insurance companies
Kansas	30	1 year	2.73	1,099	Optional	Private insurance companies
Kentucky	4/ 30	1 year	2.85	1,172	Optional	Private insurance companies
Louisiana	8/ 30	1 year	1.82	1,648	Optional	Private insurance companies
Maine	30	1 year	2.59	1,158	Optional	Private insurance companies
Maryland 3/	25	1 year	1.54	1,572	Optional	Private insurance companies
Massachusetts 6/	25	1 year	1.91	1,309	Optional	Private insurance companies
Michigan 3/	30	1 year	1.44	1,339	Optional	Private insurance companies
Minnesota 6/	12	6 mos.	2.00	577	Yes	State Accident Fund, 643 Calvert Building, Baltimore
Mississippi	30	1 year	2.08	1,442	Optional	Private insurance companies
Missouri	30	1 year	2.67	1,124	Optional	Private insurance companies
Montana 3/	60	1 year	3.31	1,813	Yes	State Accident Fund, Dept. of Insurance, Prudden Building, Lansing, Mich.
Nebraska	30	1 year	3.33	1,143	Optional	Private insurance companies
Nevada 10/	4/ 30	1 year	3.04	987	Optional	Private insurance companies
New Hampshire	No workmen's compensation insurance (see page 4 for employer's liability rates)					
New Jersey 6/	30	1 year	3.11	965	Optional	Private insurance companies
New Mexico	2/ 0	1 year	4.00	0	Yes	Industrial Accident Board, Helena
New York 3/ 6/	40	1 year	3.72	1,075	Optional	Private insurance companies
North Carolina 6/	8/ 30	1 year	3.29	912	Optional	Private insurance companies
North Dakota 10/	5	2 mos.	3.20	156	Yes	Nevada Industrial Commission, Carson City
Ohio 10/ 12/	30	1 year	2.44	1,327	Optional	Private insurance companies
Oklahoma 3/	30	1 year	4.20	682	Optional	Private insurance companies
Oregon 10/	40	1 year	2.46	1,709	Optional	Private insurance companies
Pennsylvania 3/ 6/	16	1 mo. 11/	5.66	283	Yes	State Insurance Fund, 625 Madison Avenue, New York City
Rhode Island	32	3 mos. 11/	5.66	565	Yes	State Insurance Fund, 625 Madison Avenue, New York City
South Carolina	48	3 mos. 11/	5.66	848	Yes	State Insurance Fund, 625 Madison Avenue, New York City
South Dakota	97	11/	5.66	1,714	Yes	State Insurance Fund, 625 Madison Avenue, New York City
Tennessee	4/ 30	1 year	5.66	531	Optional	Private insurance companies
Texas	25	1 year	1.77	1,479	Optional	Private insurance companies
Utah 3/	12	1 year	3.00	400	Yes	Workmen's Compensation Bureau, Bismarck
Vermont	0	-	13/ 3.90	0	Yes	Industrial Commission of Ohio, Columbus
Virginia 6/	25	1 year	2.64	947	Yes	State Accident Fund, State Capitol, Oklahoma City
Washington 10/	25	1 year	2.64	947	Optional	Private insurance companies
West Virginia 2/ 10/	5	1 year	4.00	125	Yes	State Industrial Accident Commission, Salem
Wisconsin 6/	25	1 year	2.00	1,250	Yes	State Workmen's Insurance Fund, Department of Labor, Harrisburg
Wyoming 2/ 10/	25	1 year	2.00	1,250	Optional	Private insurance companies
	30	1 year	3.53	882	Optional	Private insurance companies
	25	1 year	1.59	1,572	Optional	Private insurance companies
	30	1 year	2.45	1,224	Optional	Private insurance companies
	25	1 year	1.49	1,678	Optional	Private insurance companies
	25	1 year	2.48	893	Optional	Private insurance companies
	37	1 year	2.85	1,298	Yes	State Insurance Fund, State Capitol, Salt Lake City
	4/ 40	1 year	3.56	1,124	Optional	Private insurance companies
	30	1 year	1.87	1,796	Optional	Private insurance companies
	25	1 year	1.78	1,517	Optional	Private insurance companies
	1	1 mo.	14/	14/	Yes	Division of Industrial Insurance, Dept. of Labor and Industry Olympia
	4/ 30	1 year	15/	15/	Optional	Private insurance companies
			3.82	785	Optional	Private insurance companies
			15/		Optional	Private insurance companies

1/ If in "optional" cases, all employees are not covered, the insurance would be obtained from private companies through the endorsement mentioned in footnotes 2. In such cases the \$5,000/\$10,000 liability limits (at the base rates shown) apply. If, in "optional" cases, all employees are insured, the farmer may file an "election" to come under the act and thus obtain \$25,000 liability coverage (except Ala., W. Va., Wyo. See footnote 2.) Where "yes" is shown (all employees required to be insured if insurance is taken) the election is also necessary except in Ohio and California, where the insurance may be mandatory because of the number of employees a farmer hires, and the \$25,000 liability limit applies.

2/ A farmer cannot come under the compensation act even by election; but he may obtain the \$5,000/\$10,000 liability protection (together with the workmen's benefits stipulated by his compensation act) from private insurance companies through a voluntary compensation endorsement attached to a straight employer's liability policy.

3/ Underwriting statutory workmen's compensation insurance is competitive between State fund and private companies.

4/ Pending as of August 13, 1943.

5/ A farmer with a pay roll for previous year of \$500 or more must carry compensation insurance or post notices on his property that he has rejected the law and file proof of posting with Industrial Accident Commission. A farmer with a lesser pay roll may elect to take the insurance.

6/ Independent rating bureaus control the rates and minimum premiums in these States.

7/ The rates vary for 13 farming classifications from \$1.26 to \$5.03 per \$100 pay roll, depending on the largest acreage devoted to a single crop.

8/ Minimum premium amount is advisory only.

9/ If, after a year of insurance, the farmer hires less than \$62.50 worth of labor he must pay a \$2.50 minimum premium for the year. This payment is not in advance, however.

10/ Underwriting statutory workmen's compensation insurance by State fund is monopolistic.

11/ Where transient labor is hired for first harvesting or similar work the premium is a flat \$5 per person per month.

12/ Farmers having 3 or more year-round employees must take the insurance.

13/ After the first year the rate is reduced to \$3 per \$100 pay roll.

14/ Rate is \$0.023 per hour the first year; thereafter each farmer has an individual rate based on giving 60 percent weight to his own loss experience and 40 percent weight to the class (48-3) rate to which he belongs. Thus a farmer who takes the insurance and who has no claim costs would obtain a rate of 40 percent of the base rate.

15/ Not available; may be obtained by negotiation with a private insurance company.

After the insurance has been obtained and the premium down payment made, a farmer should add to the cash wages paid the value of board and/or lodging furnished, in keeping pay roll records for the purpose of (1) determining if an additional premium payment is due the insurance company at the end of the period or (2) endeavoring to obtain a refund of part of his premium under the short-term cancellation rates of some State funds, if his pay roll for such part of a year multiplied by the rate does not equal the premium down payment.^{6/} The values placed on board and/or lodging furnished as part of the remuneration are shown in table 3, by States.

Under the two kinds of insurance discussed in this report, farmers are protected against suit either (1) up to \$25,000 for any one accident or (2) up to \$5,000 for any one claim and \$10,000 for more than one claim resulting from one accident - depending on whether they insure all or part of their employees and whether they obtain their insurance from a State fund (State insurance organization) or from private insurance companies.^{7/} If a farmer obtains his insurance from the State, he must insure all of his employees and is protected up to a maximum liability of \$25,000. If he obtains his insurance from a private company, he may apply to "come under" his State compensation act and insure all of his employees and obtain the \$25,000 liability coverage.^{8/} Exceptions are discussed by individual States elsewhere in this report. If, however, he desires to insure only part of them, he should not file an application to be bound by the provisions of the compensation act of his State, but should obtain partial coverage from a private insurance company through a "voluntary compensation endorsement" attached to a regular employer's liability policy. Such voluntary compensation insurance, permitting partial coverage, binds the company to pay the benefits of the compensation act of the State of location, but does not include any payment for double compensation or other penalties as may be stipulated in some State acts because of employment in violation of law as to age. This seems proper since the coverage is on a voluntary basis on the part of the insurance company and the insurance as issued does not bring the employee under the compensation act. In such cases the penalty payments set up in the law are merely excluded by the company from a contract which it offers to the farmer.

If he files an application to place his operation within the scope of the compensation act of his State (see footnote 8), he may obtain "statutory" coverage and all of the features of the compensation act of his

^{6/} Private companies, in setting the reduced minimum premiums have withdrawn the privilege of canceling a policy for the purpose of obtaining a partial refund.

^{7/} In Mississippi, where there is no workmen's compensation act, farmers may obtain employer's liability insurance from private companies, which includes some medical reimbursements but no compensation for time lost. The present rate is \$1.74 per \$100 of pay roll, with an annual minimum premium of \$25. It protects the farmer up to the \$5,000/\$10,000 limits discussed elsewhere in this report.

^{8/} Forms for this purpose may be obtained from either the State insurance fund (if a farmer lives in a State which has its own insurance organization) or from a private insurance company which writes workmen's compensation insurance. Not all private companies write it.

State are applied by either the State fund or private company in the regular manner. In such cases, the employer's liability protection is not reduced from \$25,000 to \$5,000/\$10,000. If a private company issues either (1) the standard workmen's compensation policy or (2) an employer's liability policy carrying the reduced liability limits, but which has a voluntary compensation endorsement attached to it for the benefit of the worker, the minimum premiums and rates shown in table 1 apply. In the latter case the farmer can secure greater coverage at a slightly higher cost.

Table 2.- Examples of premiums calculated for workmen's compensation insurance for various pay rolls
(Alabama, with a rate of \$1.12 per \$100 of pay roll and a minimum annual premium of \$25, is used as an illustration; see table 1)

Amount of annual pay roll plus board and/or lodging furnished in addition thereto	Amount of the premium	Explanation
<u>Dollars</u>	<u>Dollars</u>	
500	25.00	Minimum premium applies
1,000	25.00	do. do. do.
2,232	25.00	$\frac{1}{100}$
3,000	33.60	$(3,000 \times 1.12) \div 100$

1/ On any pay roll of \$2,232 or less the minimum premium, which is payable in advance, would be the only payment. If, however, the pay roll is more than \$2,232, there would be an additional payment, which for a pay roll of \$3,000 would amount to \$8.60. The \$2,232 was obtained as follows: $(\$25 \div 1.12) \times 100$. Column 4 of table 1 shows the minimum pay roll necessary to obtain the rates quoted in column 3 of the same table.

If a farmer interested in obtaining the insurance lives in a State where there is a State insurance fund, he may apply for the insurance from such fund (except in West Virginia and Wyoming), or he may obtain it from private insurance companies in some of these same States and in the remaining States, except Mississippi. Farmers in West Virginia and Wyoming cannot obtain their insurance from their State insurance companies since they, like the farmers in Alabama, cannot come under their workmen's compensation acts. In all States except Mississippi, which has no compensation act (see footnote 7), and a few other States where, because of the number of employees hired, size of pay roll, or the hazardous nature of the work, the act is compulsory for particular farmers, the remaining farmers may obtain \$5,000/\$10,000 liability coverage, with alternative compensation benefits to employees, from private companies through the use of the employer's liability-voluntary compensation policy discussed elsewhere in this report. The rates and minimum premiums for this type of coverage are shown in table 1 for "private insurance companies" operating in these States. By paying slightly higher rates than those shown, a farmer may obtain more than the \$5,000/\$10,000 liability coverage.

Table 3.- Value placed on board and/or lodging per employee, if furnished as part of the employee's pay, in calculating pay roll for compensation insurance purposes

State	Source of insurance	Board without lodging					Lodging without board			Board and lodging		
		One meal	Two meals	Per day	Per week	Per month	Per night	Per week	Per month	Per day	Per week	Per month
		Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Alabama	Private companies	0.25			3.00			2.50			5.50	
Arizona	State fund											30.00
	Private companies	.25	0.50	0.75				2.00				
Arkansas	Private companies	.25		.50	3.00		0.30	2.00			5.00	
California	State fund					30.00			6.00			36.00
	Private companies	.25	.50	.75				2.00				
Colorado	State fund			.75				2.00				
	Private companies	.25	.50	.75				2.00				
Connecticut	Private companies	.25	.50	.75				2.00				
Delaware	Private companies	.25	.50	.75				2.00				
Florida	Private companies	.25	.50	.75				2.00				
Georgia	Private companies	.25	.50	.75				2.00				
Idaho	State fund			.75			.25					30.00
	Private companies	.25	.50	.75				2.00				
Illinois	Private companies	.25	.50	.75				2.00				
Indiana	Private companies	.25	.50	.75				2.00				
Iowa	Private companies	.25	.50	.75				2.00				
Kansas	Private companies	.25	.50	.75				2.00				
Kentucky	Private companies	.25	.50	.75				2.00				
Louisiana	Private companies	.25	.50	.75				2.00				
Maine	Private companies	.25	.50	.75				2.00				
Maryland	State fund	.20	.35	.50			.50					
	Private companies	.25	.50	.75				2.00				
Massachusetts	Private companies	.25	.50	.75				2.00				
Michigan	State fund	.25			4.50		.40	2.50			7.00	
	Private companies	.25	.50	.75				2.00				
Minnesota	Private companies	.25	.50	.75				2.00				
Mississippi		No workmen's compensation insurance available										
Missouri	Private companies	.25	.50	.75				2.00				
Montana	State fund	.25		.75	5.25	22.50	.25	1.75	7.50	1.00	7.00	30.00
	Private companies	.25	.50	.75				2.00				
Nebraska	Private companies	.25	.50	.75				2.00				
Nevada	State fund									1.00		
	Private companies	.25	.50	.75				2.00				
New Hampshire	Private companies	.25	.50	.75				2.00				
New Jersey	Private companies	.25	.50	.75				2.00				
New Mexico	Private companies	.25	.50	.75				2.00				
New York	State fund	.333		1.00				3.50			10.50	
	Private companies	.25	.50	.75				2.00				
North Carolina	Private companies	.25	.50	.75				2.00				
North Dakota	State fund				5.00			2.50			7.50	
	Private companies	.25	.50	.75				2.00				
Ohio	State fund	.20	.35	.50			.50			1.00		
	Private companies	.25	.50	.75				2.00				
Oklahoma	State fund	.25	.50	.75				2.00				
	Private companies	.25	.50	.75				2.00				
Oregon	State fund					22.50						22.50
	Private companies	.25	.50	.75				2.00				
Pennsylvania	State fund			.50			.50			1.00		
	Private companies	.25	.50	.75				2.00				
Rhode Island	Private companies	.25	.50	.75				2.00				
South Carolina	Private companies	.25	.50	.75				2.00				
South Dakota	Private companies	.25	.50	.75				2.00				
Tennessee	Private companies	.25	.50	.75				2.00				
Texas	Private companies	.25	.50	.75				2.00				
Utah	State fund			.75				2.00				
	Private companies	.25	.50	.75				2.00				
Vermont	Private companies	.25	.50	.75				2.00				
Virginia	Private companies	.25	.50	.75				2.00				
Washington	State fund	No basis for board since rates are based on hours of work										
	Private companies	.25	.50	.75				2.00				
West Virginia	Private companies	.25	.50	.75				2.00				
Wisconsin	Private companies	.25	.50	.75				2.00				
Wyoming	State fund											20.00
	Private companies	.25	.50	.75				2.00				

The addresses of the various State insurance funds are given in table 1. If a farmer desires to obtain his insurance from a private company, so as to be able to insure only part of his employees or for another reason, he should ask an insurance agent if his company writes workmen's compensation insurance. If his company writes the insurance and subscribes to the rates compiled by the National Council on Compensation Insurance, he can obtain the insurance from the agent at the reduced minimum premium which is now in effect in his State.

By filing an application to be bound by the provisions of the compensation act of his State (this procedure, which is possible in most States, is known as "electing to come under the act"), a farmer obtains \$25,000 worth of liability coverage instead of \$5,000/\$10,000 whether he obtains his insurance from a State fund or from a private company. He must, however, insure all of his employees and not just part of them to obtain the \$25,000 liability coverage. Since a farmer with a pay roll smaller than the figure shown opposite his State in column 4 of table 1 will have to pay the full annual minimum premium anyway (see column 1 of table 1), he will want to "cover" all of his employees. It will cost him no more to insure all of them than part of them and he will obtain, in addition, the full \$25,000 liability protection. And if he lives in a State where the State insurance company does not charge a minimum premium (Montana and Ohio) or where the minimum premium it charges is small in amount (California, Delaware, Maryland, Nevada, North Dakota, Oregon, and Washington), he will want to take his insurance from the State insurance company even though he must cover all of his employees. If, however, a farmer has a larger pay roll than that shown opposite his State in column 4 of table 1, he may prefer the partial coverage permissible under the voluntary compensation policy in order to hold his premium down to the annual minimum - even though it reduces his maximum liability protection from \$25,000 to the \$5,000/\$10,000 limits. He would, in such case, obtain his insurance from a private company and would not have to file an application with the company to come under the State workmen's compensation act.

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